

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: School District Final Reports
And Compliance Final Report

ITEM NUMBER: 10

ATTACHMENTS:

ACTION: ____

DATE OF MEETING: July 11, 2002

INFORMATION: X

PRESENTER(S): Way Lee

School District Final Reports

1. Fresno Unified School District (DB)
2. Oakdale Joint Unified School District (DB)
3. Vacaville Unified School District (DB)

Compliance Final Report

1. Kings Canyon Joint Unified School District (6 cases)

In accordance with auditing standards, the results of our audits are presented to the Budgets and Audits Committee to facilitate its oversight responsibility. The attached Executive Summary presents the highlights of three final audit reports we issued in the period April through June 2002 and one final compliance report issued in June 2002.

Fresno Unified School District incorrectly reported a non-creditable performance incentive bonus as creditable compensation during the 2000-01 school year. The overstated retirement allowance has a present value cost to CalSTRS of approximately \$31,987.

Oakdale Joint Unified School District:

- Incorrect Pay Codes, and/or Pay Rates and/or Contribution Codes. As a result:
 1. An incorrect pay code was reported for all 10 and 11-month members in the regular monthly service period during the 1999-2000 school year. We were not able to determine the full effect of the incorrect reporting.
 2. A part-time teacher's service credit was understated by 1.59 years during the 1998-99 and 1999-00 school years.
 3. Two teacher's service credit was overstated by almost double.

- Incorrect Reporting of Member Earnings. As a result:
 1. Non-creditable earnings paid to three active members totaling \$14,259 during the 1999-00 school year for extra days worked in excess of their normal annual work days was reported as creditable. Employee and employer contributions of \$2,317 were overpaid to CalSTRS.
 2. Creditable earnings of \$4,144 for an Acting Superintendent from June 19,2000 through September 29, 2000 and \$2,615 for a substitute teacher. Employer and member contributions totaling \$998 should have been paid to CalSTRS. In addition the teacher's service credit was understated by .18 year.
- Incorrect Base Service Days – The District under-reported base service days for a member who retired for service causing his retirement allowance to be overstated by approximately \$15/month. This overstatement has a present value cost to CalSTRS of approximately \$2,632.
- Post-Retirement Earnings - The District did not report to CalSTRS post-retirement earnings during the school years 1999-00 through April 2001 (the most recent month records were available for our review during the audit). The post-retirement earnings for four retired members tested by us totaled \$17,042 for 1999-00 school year and \$40,510 for the 2000-01 school year. None of the retirants exceeded the post-retired earnings limitation but they could in the future.
- Insufficient Notice of Employee's Rights to Elect CalSTRS DB Membership - The District did not notify non-members of the right to elect CalSTRS membership. Without this notification, employees may not have fully understood criteria for becoming a member and their right to elect membership.
- Mandatory Membership - The District did not report any earnings for four part-time hourly teachers and two substitute teachers, and enroll them into CalSTRS membership when they qualified for mandatory membership. As a result, the District did not report \$188,515 of member compensation and remit \$30,634 in contributions into the system.

Vacaville Unified School District:

- Post-Retirement Earnings - VUSD did not report to CalSTRS all post-retirement earnings during the school year 1999-2000. As a result, CalSTRS will reduce a member's retirement allowance by a total of \$2,255.
- Insufficient Notice of Employee's Rights to Elect CalSTRS DB Membership –VUSD did not require part-time employees and substitute teachers to complete and return the CalSTRS form MR350. Without this notification, employees may not have fully understood criteria for becoming a member and their right to elect membership.

- Unused Sick Leave Days and Contract Base Service Days – VUSD under-reported these days for an employee who retired for service. These reporting errors resulted in a net overstatement of the member's service credit creating an approximate overstatement in the member's monthly retirement allowance of \$22. The overstatement has a present value cost to CalSTRS of approximately \$3,214.

Kings Canyon Joint Unified School District (KCJUSD) Compliance Report reports the results of 6 compliance cases, one for each member.

KCJUSD incorrectly reported as creditable compensation salary paid to teachers for days worked in excess of the "total work year" or "duty year" identified in the contract between KUSD and the Kings Canyon Education Association. These teachers worked extra days during their "off track" or after or before the start of the traditional school year performing duties such as substitute teaching and peer assistance. As a result, these members and the district over-paid approximately \$20,000 in contributions to CalSTRS during the 3 year period that we are asking the District to correct.

In addition, some year-round schools support staff (i.e., RSP, Resource and ESL teachers) and non-represented employees (i.e., Principals, Learning Directors and Counselors) worked a different number of duty days compared to employees with the same job title at other year-round schools. This situation also holds true for other school sites with non-traditional schedules. The duty days were assigned based on the individual needs of the school site. Each employee had a separate contract with the District; therefore, we could not determine the minimum number of days required for a full-time equivalent. The District must establish a duty year for determining a FTE for each class of employees who are assigned to a non-traditional school site. The District must report the member's earnable compensation based on the FTE.